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ABSTRACT

Recommendations are made so that teachers can have a sound background in economics. Teachers should be able to understand and to teach the skills and concepts used in the free enterprise system. This report is designed to help preservice and inservice teachers improve their knowledge of economics and the free enterprise system. The first chapter discusses major economic concepts teachers should understand: resources, production and distribution, and consumption. Economic terms are defined, and relationships among elements in the capitalist system are explained. In the second chapter, an interdisciplinary approach to economics education, beginning in kindergarten and ending with the twelfth grade, is advocated. The curriculum should include basic concepts, the nature of the relationship between economics and society, consumer education, and personal economics management. The third chapter contains recommended methods for businesses to participate in economics education: by improving communication with schools, providing in-house economic courses, and sharing educational resources. The final section describes a study that investigated the economic knowledge level and attitudes of high school seniors, college seniors, and young adults who had attended less than one year of college. The topics under consideration were consumer education, the free enterprise system, and general economics education. The results are discussed, and recommendations generated by the findings are made. (FG)

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RECOMMENDATIONS FOR ECONOMIC EDUCATION
AND THE
FREE ENTERPRISE SYSTEM

IN THE FOLLOWING AREAS:
TEACHER COMPETENCY
THE CURRICULUM

PARTICIPATION BY BUSINESS IN ECONOMIC EDUCATION

ENERGY

CAPITAL

OIL AND THE ECONOMY

NATURAL RESOURCES

ORGANIZING FOR PROFIT

MONEY MANAGEMENT

INTEREST AND INVESTMENT

CONSUMER EDUCATION

SUPPLY AND DEMAND

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RECOMMENDATIONS FOR ECONOMIC EDUCATION

AND THE

FREE ENTERPRISE SYSTEM

by

E. Dale Davis

1981

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PREFACE

Today the field of economics is complicated and involves many sub-areas of specialization. The analytical base of economics has expanded at an exponential rate during the last sixty years. No one person, whether he be a layman or an individual with a Ph.D. in economics, can honestly pretend to have expertise in all areas of economics. Certainly, then, one cannot expect that an elementary school teacher or a high school teacher be familiar with the many and diverse combinations and permutations of economic concepts and understandings now being taught in the discipline at the college level or the skills and concepts being used in the economic systems of the United States today.

On the other hand, the economic knowledge needed by the average citizen is demanding in the present world. Economics and a knowledge of the free enterprise system desperately need to be given high priority in schools. This book is designed to help advanced undergraduate students, graduate students, and teachers on the job improve their knowledge of economics and the free enterprise system. It is also planned in such a way that some of the major suggestions of educators as to when, where and how to teach these crucial topics are set forth.

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ECONOMIC KNOWLEDGE NEEDED BY TEACHERS

It is not unrealistic to expect that educators are or should be acquainted with a limited number of universal economic concepts and understandings which are directly applicable to diverse personal and social problems. The purpose of the following discussion is to highlight some of the major concepts and understandings of which teachers should be knowledgeable, according to many social scientists. Awareness of these elements on the part of teachers, especially upper elementary and secondary school social studies teachers, can result in more effective teaching.¹

Resources

Teachers need to know that resource constraints, together with human desires, form the basis of and need for economic analysis. Anything which is or could be used, either singly or in combination, to acquire or make (produce) other things is a resource. The four broad categories of resources are discussed below.

Natural or land resources are items of nature which can be used in production. Included are such things as farmland, crude oil, and mineral deposits. Natural resources are measured by surface area, mass, and volume. Since they exist

in finite amounts, their use in current production implies a depletion of natural resources available for future production. The present oil and timber shortages are prime examples of this.

Human resources, many times referred to as labor and human capital, represent the physical and/or mental productive ability of people. Historically, the labor force has been measured by population size and hours of work. More recently, measures reflecting the training of the labor force have been developed. Typically, these include years of schooling completed or the amount of accumulated literature in a profession. At any given time there is a finite population available for labor force participation. Over a period of time, however, the quality and quantity of human resources can and do change; and students should be taught such concepts--even in elementary schools.²

Capital resources, also referred to as physical capital, are items which can be, or are used in production, these items having been previously produced. Examples include such things as tractors, shovels, and buildings.³ Unlike natural resources, the items referred to as capital resources require the involvement of human effort for their existence. The human modification or improvement of natural resources and existing capital is known as capital creation. The act of capital creation leads to more specialized resources which tend to be better suited for a given use. For instance, the fastening of a sharp stone to a stick makes a crude axe which transforms

natural resources (wood and stone) into a capital resource (an axe). The axe is a specialized piece of capital which can in turn be used to make other specialized capital resources (such as cabins and tables).⁴ This is a very simple example, but it illustrates the concept.

Time is the most limited resource one possesses. Everything one does requires time--no production process is without a gestation period. Even if human, natural, and physical capital resources were available in infinite amounts, a finite life span would necessitate choosing or ordering what to produce. Finite time forces people to choose between leisure activity, sleep, or work activity. It is the existence of finite resources such as time which leads to scarcity.⁵ Schools can provide the necessary knowledge for students in such areas in order that they can make sound choices.

The term economic scarcity means that goods and services do not exist in sufficient quantity to satisfy the wants of everybody. Human wants are unlimited; a person's income is limited, which makes it necessary for him to make choices.

An opportunity cost is the benefit, or value of the benefit, that is foregone by choosing one alternative over another. There are many concepts associated with this economic principle which individuals need to know today.

Because of lack of resource knowledge, inability to gather resources, or distance limitations, individuals and societies throughout time have realized that their resources were limited. This situation posed the problem of how to obtain material satisfaction given this relative shortage of

resource factors (land, human, capital, time). To achieve economic growth, various changes had to occur. These changes moved individuals and groups away from a short-run survival production process to a long-run growth attitude and procedure.⁶

Historically, economists have defined individual decisions as economically efficient, or rational, when no other choice can lead to a greater attainable level of benefits or satisfaction (as defined in terms of psychic, pecuniary, and/or material rewards). This understanding of efficiency is based upon a method of decision-making which associates prices or incremental costs with incremental benefits from a given action. This is a basic understanding needed by educators and their students.⁷

To understand better this marginal method of making choices; that is, decisions based on comparing incremental benefits and costs, one must focus on making rational choices based upon the respective costs and benefits of that decision. Teachers must have such knowledge and thus be able to teach it to their students.

Similarly, a social system is economically efficient when no change is possible which can make an individual or group of individuals better off without making someone else worse off. Here, too, a method of decision-making which associates costs with incremental benefits of individual and collective actions is used. Knowledge of this principle is needed by everyone in today's society. Students should have a

chance to acquire such knowledge in school.⁸

Economic efficiency, although sought by many, cannot be accomplished unless an operational understanding of its key elements is achieved. Individuals and groups must put marginalistic decision-making techniques into practice if each choice is to lead to the greatest level of personal and social well being. This should be a part of the social studies curriculum.

Production and Distribution

One of the most interesting questions in cultural economics is the extent to which any particular system of economic institutions will survive or fail to survive because of changes in the cultural matrix which the economic institutions produce.

A related question is that of changes. Changes in the cultural institutions may produce spontaneous changes in the economic order. All teachers, and especially social studies teachers, should be well informed in this area.

Group behavior; that is, buying and selling particular goods or services, is typically analyzed in a market setting. A market is the total number of buyers and sellers of a particular good or service in a specific period of time who establishes the price and quantity sold of that good or service through their negotiations.

Two key forces determine the price at which the quantity desired of a particular good or service is the same as that which is being provided; namely, the forces of demand and supply. Demand is a relationship expressing the various

amounts of goods and services which prospective buyers would be willing to purchase at different prices in a given period of time (with all other prices, incomes, and tastes remaining the same). Supply, on the other hand, is a relationship expressing the various amounts of goods or services which prospective sellers would be willing to sell at differing prices during a given period of time (with all other prices and production techniques remaining the same). Schools should teach students about these two key economic forces in the present society.⁹

The market equilibrium price will be the price for which the quantity demanded of any particular good or service is the same as the quantity which is being supplied. How many social studies teachers know and teach this?

There are situations in which events, laws, or restrictions do not allow the market forces of supply and demand to establish freely an equilibrium market price. Such market imperfections take the form of price ceilings or price floors. A price ceiling prevents the market price from rising to an equilibrium level where the quantity demanded and supplied would be equal. A price floor, on the other hand, refers to a restriction which does not allow the price of a good or service to fall to the point where quantity demanded and supplied are equal.

To the economist the reasons why individuals or groups of individuals behave, or are inclined to behave, in a particular way are integrally tied to differing sources of oppor-

tunity costs. Those forces which tend to stimulate behavior or determination will be referred to as incentives. Incentives represent a broad category of behavior forces which can be broken down into three sub-categories; namely, pecuniary, material, and psychic incentives. These forces act on all citizens in today's society.¹⁰

Certain pecuniary incentives provide the motivation for a large segment of the population to get up early, forego sleep, fight early morning traffic, and spend eight hours in the production of goods or services from which someone else will gain the benefit. Pecuniary or money incentives in the form of wages, interest, rents, and dividends from profits provide the incentives for individuals to make services and capital available to others. These money incentives, however, are only effective because of the things for which money can be exchanged. Money or nominal prices indicate the rate at which money can be exchanged for goods.

Closely aligned with pecuniary incentives are material incentives. The human desire for material devices which allow a person to live more comfortably in his environment will many times stimulate structured activity.

Psychic incentives are not always visible for they represent feelings within. Nevertheless, they are very real and play a most important role in one's economic behavior; for example, whether one will work for the security which may come from a savings account or the insecurity of overspending his money.

Externalities can be defined as the incremental increase or decrease in the individual or collective level of satisfaction not reflected in market prices but initiated through individual or collective decisions. Here, again, is an area of economics which should be well known by teachers.

Consumption

Money is anything that is commonly accepted as payment for goods and services. Barter is a system of exchanging goods and services for other goods and services. The disadvantages of barter include the following:

1. People often must make several trades before they are able to get the things they want.
2. It is difficult to compare the value or worth of one thing with that of another.
3. Goods and services do not have, in most cases, a lasting value. They cannot be saved for long periods of time and retain their value.
4. Traded goods are often difficult to carry or transport.¹¹

In general, the barter system has been replaced by one in which values are established for certain popular commodities. These commodities serve as money; but they are, in some cases, cumbersome to handle, difficult to divide into small units, but, in many instances, can be stored for future use.

Commodity money is money in the form of goods that people deem valuable. Some of the things that are most commonly used as commodity money are salt, corn, barley, wheat, and

rice. All of these commodities are useful and can be stored for many months. Also, they can be easily divided and transported by modern means of transportation. Today millions of dollars in goods are exchanged on the commodities future trading market.

Another stage in the development of money was the making of coins, which are easy to identify, carry, and store and are convenient to use because they can be counted. Coins help to make exchange easier because they are handy in making change and in buying things that do not cost much, but there are limitations to using them. Large sums of coins are inconvenient to carry, making them unsuitable for making large purchases. Thus, as business increased in size and scope, the use of paper money developed.

In any economy one can think of two types of transactions--those involving the purchase and sale of complete or final goods and services and those involving the purchase of resources or factors of production which are used to make other goods. Two flows are associated with each transaction in the economy--the flow of money to the seller and the flow of service or product to the purchaser. Money will flow from firms producing final products to decision makers who control the required factors of production (resources). This money will flow back to the firms as their products and services are purchased.¹²

The first money flow is referred to as money income flow while the second is referred to as money expenditure flow.

A measure of the aggregate flow of economic activity is

the real Gross National Product. The Gross National Product is the estimated total output of goods and services (or, alternatively, the total income) produced in a nation in a one-year period. The level of any country's G. N. P. depends upon such things as the resources the country possesses, the sophistication of the corporate and financial structure, and government policy.¹³

Resources are pulled from immediate consumption for the following purposes:

1. Devising new means of acquiring resources.
2. Devising new means of production.
3. Devising methods of upgrading existing resources.
4. Building capital equipment.
5. Compensating for increased consumption caused by population increases.

In any market decision on a good's money value it is essential to differentiate between the level of the good's money price (or money value) and the price of the good in terms of other goods. One should not be so interested in whether a given money price is high, but whether that price is too high in relation to the price of another good, past prices, or expected future prices.

Real measures of value indicate the quantity of one non-money good (or amount of one's services) which exchanges for one unit of another non-money good or service.

The standard price indexes used in the United States are the Consumer Price Index, Wholesale Price Index, Gross National Product Deflator, and the Commodity Price Index.

The indexes are calculated for particular segments of the population and use slightly different methods of computation. The national consumer price index is frequently used as a general cost of living index. It is based upon prices for some 400 different goods and services typically purchased by urban wage earners and salaried clerical workers with families.¹⁴

FOOTNOTES

¹William E. Becker, Jr. and Robert E. Reinke, "What Economics Should the Educator Know?" The Social Studies, LXVI, No. 5, September/October 1975, p. 195.

²Industrial Relations Center, The University of Chicago, Elementary School Economics, I, The Allied Educational Council, 1963, pp. 3 ff.

³Becker and Reinke, p. 196.

⁴I. R. C., p. 37.

⁵Becker and Reinke, p. 197.

⁶Richard C. Spitzer, "Economic Education: Should It Be Mandated?" Public Relations Journal, September 1977, p. 42.

⁷I. R. C., p. 61.

⁸Roman Warmke, "Consumer Education: Goals and Realities," Educational Leadership, April 1974, pp. 607-610.

⁹Becker and Reinke, p. 199.

¹⁰Spitzer, p. 43.

¹¹Becker and Reinke, p. 203.

¹²I. R. C., p. 66.

¹³Warmke, p. 609.

¹⁴Becker and Reinke, p. 204.

ECONOMIC EDUCATION IN THE CURRICULUM

The Nature of Economic Education

As the world grows increasingly complex, many Americans are unable to comprehend rapidly changing economic conditions. Many feel that they lack the economic knowledge necessary to make intelligent choices and to participate fully in today's society. Yet, everyone inescapably is a part of the American economic system.

Because schools must play a major role in preparing students to become responsible and productive members of society, it must be determined what is the proper role of economic education in the curriculum.

Guidelines. The major purpose of economic education in the curriculum should be to develop an understanding of both the elements and the dynamics of the American free enterprise system. It should define and describe the elements of capitalism as well as the dynamics of the relationships among consumer, producer, and government. An understanding of the interaction of the elements is one of the key guidelines to relevant and effective economic education.

A second guideline for achieving the major purpose of economic education is a curriculum, commencing in kindergarten and continuing through twelfth grade, that is developmental in nature. A developmental curriculum can be thought of as an upward spiral in which basic concepts are built upon and expanded in each grade. At each level the students enlarge upon their learning experiences from the preceding level, with

the basic concepts serving as a unifying thread. According to the Joint Council on Economic Education, "A single semester's course is useful only to the extent that efforts have been carried on in previous years, permitting the course to be a synthesizer and capstone."¹

The American free enterprise system. The American free enterprise system emphasizes the fact that individuals are free to participate as they choose. "Capitalism is a form of an economic system in which most of the means of production, the factories, tools, equipment, coal mines, oil wells, railroads and others are owned by private individuals, not the government."² The free enterprise system is an expression of individualism, one of the primary elements of American heritage and culture. The expression of self-reliance, self-determination, and independence of thought and action within the system resolves such conflicting ideas as liberty and license, the pursuit of happiness and rights of property, the individual conscience and a democratic society. These issues are resolved through decision-making guided primarily by the interplay of three groups--consumers, producers, and government.

The need for economic education. Research from various sections of society has shown that many Americans lack a basic understanding of economic principles. A recent article in Management Review stated:

The polls show that less than thirty-four percent of the public has a high regard for business in general--about the same proportion that has a direct stake in the system. A 1975 study shows that the average person believes the typical profit margin is thirty-three percent of sales, a substantially higher figure than the previous estimate of twenty-eight percent derived in 1973. Legislators and regulators are making more incursions into business' ability to fulfill its economic functions because of both their own ignorance and their belief that they can make political hay with an uninformed public.³

Traditionally, elementary school students have received little, if any, economic education. Some secondary school students are able to elect a one-semester course in economics. Others have teachers who give help in history and vocational courses. Most, however, need more opportunities to learn the philosophy and principles of the free enterprise system. In 1971 and 1972 the Michigan State Chamber of Commerce sent questionnaires to 25,000 high school seniors to determine what young people knew about private enterprise. Of the more than 5,600 who replied, 60.8 percent felt that their studies in economics in school did not provide them with sufficient understanding to enable them to participate successfully in the American economic system.⁴

Theories of learning. There is a need for economic education, and the methods used to meet that need should be determined within the framework of accepted theories of learning.

Education in America has been significantly molded by three major currents of thought: behaviorism, cognitive psychology, and humanism. Behaviorists believe, in brief, that learning has taken place when changes in behavior can be observed, when new habits of behavior are shaped by things or events in the environment. Cognitive psychologists believe that learning is an internal process, not necessarily observable, in which information is integrated into the cognitive structure. And humanists stress the involvement of emotion as well as intellect in self-directed learning.⁵

Elements of all three learning theories and their specific techniques can be adapted to individual classroom needs.

Reinforcement, as far as the behaviorists are concerned, is the primary factor in learning. In terms of economic education, reinforcement may be demonstrated by students learning to allocate their allowances to meet their wants and needs. Their ability to live within their budgets is the reinforcement for a job done correctly.

Although cognitive psychology is not represented by one viewpoint, cognitive psychologists, in general, deal with learning in terms of internal organization, or internal structure. Harvard psychologist Jerome Bruner states that grasping the structure of a subject is understanding it in a way that permits many other things to be related to it meaningfully.⁶ In terms of the study of economics and the American free enterprise system, the cognitive learning theory would be particularly well suited to explicating the dynamics of the relationships among consumer, producer, and government.

The integrated curriculum. The primary ideas of the three theories of learning suggest that the integrated curriculum best meets the challenge of economic education. When economics is integrated into the curriculum, the students draw upon other fields of study, such as science, arithmetic, social studies, industrial arts, and home arts. Economics carries over to all discipline areas, and there is a fusion of the subject matter. "Integration within the learner is easier when he understands the purpose of an activity, the interrelatedness of subject matter, and how it is related to his need."⁷ For example, history and economics go hand-in-hand. Many of the issues which led to the foundation of American government were economic in nature. Political events are often a dramatization of economic problems. Students should learn to relate historical economic issues to their contemporary world. Since economics is intimately a part of all of man's studies, other studies cannot be fully explored if economics is ignored.⁸

A significant example of an integrated curriculum was developed by Lawrence Senesh, professor of economic education at Purdue University.

Imaginative classroom activities that formed the basis for an integrated program for the first six years were devised. Economic theory was introduced through the basic elementary subjects--reading, writing, and arithmetic. The theme of Senesh's program was the universality of work, as people work at different stages of their lives, sometimes for a salary. It is significant to note that Senesh's objective was to teach basic economic concepts and to develop an understanding of the dynamics of the American free enterprise system. Senesh's integrated program demonstrated that it is possible to make economics relevant and enjoyable for students.

Keynes recognized the complex nature of the subject matter of economics, but he also realized that the study of economics does not require any highly specialized talents.⁹ Some educators feel that the elementary student of economics, in particular, is exposed to too much information, with the result being that none of it is learned well.¹⁰ Many educators believe that the vast amount of information dealing with economics can be covered only if presented by the lecture method. Often when this method is used, the concepts are presented in theoretical terms, depriving the student of any analytical involvement. "Without meaningful analytical involvement, it is difficult for students to differentiate between abstractions and reality. This confusing state just adds to the student's distaste for the formal study of economics."¹¹

Numerous experiments have demonstrated that active learning is more efficient than passive learning.¹² Economics should be taught in a manner that requires a maximum of student involvement. What a student does in school leaves more of an impression on his memory and on his life

than the content of what he studies.¹³ When a learner is left out of any subject, then reality is left out also. In economic education a primary assumption should be that the classroom is an area in which students, as well as teachers, should perform.

The Importance to the Individual, to Business,
and to Government

John Kenneth Galbraith states in his book, The Age of Uncertainty:

By wide agreement the most influential economist of this century, John Maynard Keynes, observed that the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economists.¹⁴

As consumers, producers, and citizens in a free enterprise system, Americans can neither function effectively as economic illiterates nor effectively evaluate the complexities of the rapidly changing dynamics of economic structure that involve international corporations and federal regulatory agencies in the marketplace.

Individuals, businesses, and government all must contend with complex choices and difficult decisions. Without economic education it would be difficult to resolve such issues as the elimination of poverty without placing new burdens on the taxpayer, distribution of income without interference with rewards to individuals and corporate enterprise, protection of the environment with exceptions for energy shortages and job protection.

An individual, through participation in society, falls automatically into the categories of business and government. The three are inextricably related. Economic change is not the result of the decisions of an individual household, of business, or of government, but is the result of the interaction of the decisions of all the parties to the system. The individual, whether worker or proprietor, is a participant in business. He can be a more active participant in the democratic system through informed and intelligent voting. Therefore, economic education in America is important in that it must serve the democratic purpose. Galbraith suggests that education has two requisites:

Education must seek to develop the needed sense of community--the feeling that at some point, the special interest, even if it is yours must give way to the general interest; that what best serves all best serves you. With this must go a shrewd awareness that those who resist the general interest must themselves be resisted. Second, education must instill the sense of personal security that causes men and women to make a clear and unambiguous commitment to the task at hand or to distinguish between those who do and those who do not.¹⁵

These sentiments were shared by Stanley J. Goodman, Chairman, May Department Stores Company. He stated:

We need to lift our eyes from the short-range problems that bedevil us, and see the long-range concern of our people for the quality of life rather than the quantity of goods. As a nation we must integrate social and economic goals, and as business managers we must assume the responsibility to meld social and economic achievement Now perhaps it is time to say what is good for the people is good for business.¹⁶

History has demonstrated that social existence is a continuing process; and, as one problem is solved, others emerge, sometimes as a result of earlier solutions. This perpetual process requires ideas, evaluation, and resolution. Consequently, economic education, economic concepts and ideas are important in explaining and interpreting social

behavior. Galbraith notes:

The ruling ideas of the time are those by which people and governments are guided. Thus, they help to shape history itself. What men believe about the power of the market or the dangers of the state has a bearing on the laws they enact or do not enact, on what they ask of government or entrust to market forces.¹⁷

In conclusion, economic education is essential to consumer, producer, and citizen for two primary reasons--to resolve the inherent differences between individualism and associationism, that what best serves all best serves the individual; and to teach that the perpetual process of social existence requires economic analysis in explaining and interpreting the "ruling ideas of the time."

The Proper Subject Matter of Economic Education

The content of economic education should cover four main areas: the basic principles or concepts of economics, the relationship of economics and society, consumer education, and personal economic management.

Basic economic concepts. Economic concepts are best learned together; that is, as a total picture. Since the concepts are connected, it is not advisable to isolate them. J. S. Butterweck maintained that one major weakness of an economics curriculum is that one deals with knowledge apart from its functional setting. Dealing in wholes is natural and stimulative, but dealing in parts without some conception of the whole is uninteresting and unnatural.¹⁸ Students should be introduced to the concept of wants and of satisfying wants with limited resources. As they understand this basic principle, other concepts are very logically interjected. Satisfying wants involve the ideas of decision-making, production and

consumption, cost, specialization, distribution, consumption versus savings, demand and supply, and money and barter. In short, the student should see the total picture of how men choose to use scarce or limited productive resources (land, labor, capital goods such as machinery, and technical knowledge) to produce various commodities and to distribute them to various members of society for their consumption.¹⁹

Also included should be a comparative study of economics. Students should see that variations of the universal principles will account for differing economic and political ideologies.

The relationship of economics and society. The student should recognize the complexity of society and understand the relationship between economics and the problems of society. The problems include the energy crisis, inflation, poverty, environmental concerns, crime, international trade, taxation, racism, big business, and powerful labor unions.²⁰

Many of these problems; for example, inflation, are keenly felt by even the youngest students. What child has not felt the pinch of inflation with the rise of the five-cent piece of candy to 25 cents? More advanced students might confront the following questions: What is the purpose of an economic system? Can or should it be manipulated? Does manipulation in favor of solving one problem result in a greater problem in another area of concern?

It is important to understand the analytical base of economics and its application to the issues to insure more rational thinking. Discussions of the problems of society can be shaped around fundamental economic questions: What will be produced? How much will be produced? By what methods and by whom will this production be accomplished? How will it be divided among groups and individuals of society?

Consumer education. "Consumer education is a practical way to have students understand their complete role as consumers, producers, and voters. It affords them the opportunity to identify with the economic and political processes."²¹ The objectives of consumer education can be applied to all levels of study. Money-management skills, such as spending, borrowing, saving, and investing, are necessary for today's consumer. Certainly, even the young child who manages a seventy-five-cent-a-week allowance faces decisions similar, although on a lower level, to the high school student who may have a larger amount of money at his disposal from a part-time job.

The student/consumer needs to understand the relationships among consumers, producers, government, and foreign trade. Everyone uses numerous products daily that are foreign made. The students might know of local or national factories that were closed because they were unable to compete with foreign-made products. In this way the student could also recognize the multi-national aspect of many large corporations and the American economy.

Personal economic management. The content of economic education should provide for the application of the concepts to the students' personal economic management. The students should acquire the appropriate skills for this purpose, whether learning to count money, applying for a loan, or preparing tax forms. Personal economic management goes beyond just "skills of the marketplace." It should include the totality of how an individual utilizes his own personal resources, talents, and skills.²² This is the purpose of career education. Younger children might be introduced to many kinds of jobs. The older student should receive

information and guidance in career selection. It is, after all, the underlying purpose of economic education to help the students to acquire the skills, concepts, and understandings necessary for everyday living. Economics exceeds the recognition of concepts; application is also important.

Most importantly, economic education should provide a tool for applying basic concepts to any system. It should provide a way of thinking about a changing world. The purpose of economic education should be to teach children how to think, not what to think. The student should not only gain an understanding of the existing economic system, but also be able to examine the potential for growth and change within the system.²³

Effective Methods for Teaching Economics

Teachers tend to throw up their hands in despair with the mention of any additional subject matter, complaining that there are not enough hours in the day to include one more thing. However, when economics is integrated into the other subject areas, it need not compete for the student's time.

It must be remembered that the degree of complexity of economics can be controlled so that the basic concepts are presented in a way that is relevant to the student. The content of economic education should be related to the level of his development and involvement in the economic system. In The Process of Education, Jerome Bruner writes, "The task of teaching a subject to a child at any particular age is one of representing the structure of that subject in terms of the child's way of viewing things."²⁴ The teacher should help the students use the

economic concepts to solve everyday economic questions with which they are confronted.

There are many opportunities for building economic understanding from the time the child enters first grade until he graduates from high school. Interesting experiments now under way suggest that such simple notions as division of labor, prices, exchange in markets, and even profit can be grasped by elementary school children if they are built into carefully planned teaching materials and methods. Inescapably, children are exposed to such ideas in their day-to-day lives. The elementary grades provide an opportunity to clarify them, and to relate them to daily problems of family living, especially in the social studies courses children take from the early grades.²⁵

Teachers need to learn to exploit learning opportunities. They must understand that even young children have daily economic experiences and that they can focus on classroom events to form the basis for an economic lesson. Even the school lunchroom might provide the basis for a lesson for elementary children. One approach to motivating older students is to involve them in a study of a current issue. The teacher should select a controversial issue to which there is no obvious answer. Basic economic principles should be applicable to the meaning and implications of the problem. Most importantly, the issue should be of immediate concern to the students or to the community.²⁶ That final criterion gives it the necessary relevancy.

The resource unit. A resource unit would best fulfill the goals of student involvement and of integration into the total curriculum. The resource unit can be utilized in all school subjects. It provides meaningful situations and reality as the framework for problem solving. The unit method provides student-centered activities in which learning is most successfully accomplished.

This resource unit in economics is constructed within the framework of the four basic economic concepts--resources, production, distribution, and consumption. The concepts are expanded at each grade level. The specific objectives are listed in terms of what the students will be able to do at the end of the unit and what knowledge they will have acquired. It will provide the teacher with suggestions as to how the objectives for each grade level may be accomplished. Teachers may choose from the suggested activities those which best suit the needs of the students and which will integrate with the total curriculum. Teachers are free to vary the pace. In addition, a bibliography is provided with the unit from which teachers can draw additional resources. It is suggested that they follow a three-stage sequence in guiding the students to accomplish the objectives: they should provide the experience, the debriefing or discussion of the experience, and the reinforcement of the principles learned.

Teacher preparation. Of supreme importance in economic education is the preparation of the teachers and their understanding of the economic concepts. They are often ill-prepared to teach economics because they do not understand the economic concepts themselves. In-service programs that aim to equip teachers with both theoretical and practical economic education should be provided. Such training would facilitate the teaching of economics in the classroom. A study by Steve W. Wood, "Effect of Content and Teacher on Student Economic Knowledge and Attitude," indicates that the most important factor is the teacher.²⁷ Wood found that a well trained teacher with limited equipment and resources can have greater success in teaching economics than an ineffective one with

quality equipment and materials.

Teachers are often categorized with those who are disenchanted with the present economic system. It is believed that this disenchantment stems partly from a lack of economic knowledge. There is a positive correlation between the extent of economic information adults have and their attitudes, and this correlation holds for teenagers as well. Those with greater economic knowledge tend to look more favorable on the performance of the economic system and of business.²⁸ Teacher training programs in economics that are open, honest, and credible would go a long way toward improving economic education in kindergarten through twelfth grade.

Conclusion

Because the need for economic education in America has been documented by numerous research efforts, schools must now accept their part of the responsibility for preparing students to function at their highest potential in the free enterprise system. All people are a part of the economic system by virtue of their roles as consumers, producers, and citizens, and there is an increasing need for everyone to be intelligent and informed on economic issues.

A developmental curriculum beginning in kindergarten and continuing through twelfth grade, which can be integrated into the other subject areas of the classroom, would best suit the needs of students. The economics curriculum should be student-centered, with the degree of complexity related to his level of development and involvement in the economic system. The resource unit meets these criteria and conforms to the primary ideas of the three major theories of learning--behavioral,

cognitive, and humanistic. The resource unit is built around the four main economic concepts--resources, production, distribution, and consumption. The sub-concepts are expanded and increased at each level. The current is shaped to include basic concepts, the relationship of economics and society, consumer education, and personal economic management. Teacher preparation and understanding of economic concepts are important to the success of economic education. In conclusion, continued success of the free enterprise system is dependent, in large part, on the economic literacy of the people of the United States, and this literacy or illiteracy will be the result of the way in which schools meet the challenge of economic education.

FOOTNOTES

¹Richard C. Spitzer, "Economic Education: Should It Be Mandated?" Public Relations Journal (September, 1977), 42.

²Elbert V. Bowden, Economics--The Science of Common Sense (United States, England: Southwestern Publishing Company, 1974), p. 71.

³Lesley Philips, "Why Economic Education is Failing, Management Review (October, 1976), p. 17.

⁴Editor, "Reading, 'Riting, 'Rithmetic--and Profits," Nation's Business (May, 1974), p. 54.

⁵Stephen L. Yelon and Grace W. Weinstein, A Teacher's World (New York: McGraw-Hill Book Company, 1977), p. 114.

⁶Ibid., p. 117.

⁷Lavone A. Hanna, Gladys L. Potter, and Neva Hagaman, Unit Teaching in the Elementary School (New York: Holt, Rinehart and Winston, 1963), p. 120.

⁸Frederick V. Joicks, "Economics and Education--A Case of Malnutrition," Vital Speeches of the Day, November, 1974.

⁹John C. Gilliam, "Some Thoughts on the Teaching of Elementary Economics," Indiana Social Studies Quarterly 25 (Winter, 1972-73), 57-62.

¹⁰Ibid.

¹¹Ibid., p. 61.

¹²David E. Ramsett, Jerry D. Johnson, and Curtis Adams, "An Inter-institutional Study of Student Attitudes Towards Principles of Economics," Journal of Experimental Education, 42: 78-85.

¹³Albert Cullum, Push Back the Desks (New York: Citation Press, 1967).

¹⁴John Kenneth Calbraith, The Age of Uncertainty (Boston: Houghton Mifflin Company, 1977), p. 11.

- ¹⁵ Ibid., p. 337.
- ¹⁶ Stanley J. Goodman, "The Fallen Image of Business Is Dangerous," U. S. News and World Report (January 28, 1974) p. 78.
- ¹⁷ Ibid., p. 7.
- ¹⁸ J. Minor Gwynn, Curriculum Principles and Social Trends (New York: Macmillan Company, 1960), pp. 249-291.
- ¹⁹ Paul Samuelson, Economics: An Introductory Analysis (New York: McGraw Hill Book Company, Inc., 1964), p. 5.
- ²⁰ Roman Warmke, "Consumer Education: Goals and Realities," Educational Leadership (April, 1974), pp. 607-610.
- ²¹ Ibid.
- ²² William L. Johnston, "Consumer Education: Education for Living?" Educational Leadership (October, 1973), pp. 34-36.
- ²³ Michael A. MacDowell, Peter R. Sein, and John C. Soper, "Why Economic Education is Working," Public Relations Journal (June, 1977), (reprinted in General Motors Handbook: 57-62).
- ²⁴ Jerome S. Bruner, The Process of Education (New York: Random House, Inc., 1960), p. 33.
- ²⁵ _____, "Economic Education in the Public Schools," A Report of the National Task Force on Economic Education (1961), pp. 70-71.
- ²⁶ William F. Steel, "Making Economics Relevant: A Project for Measuring Price Discrimination in Supermarkets," The Journal of Economic Education (Fall, 1973), p. 112.
- ²⁷ Steve W. Wood, "Effect of Content and Teacher on Student Economic Knowledge and Attitude," Delta Pi Epsilon Journal 16 (February, 1974) pp. 1-11.
- ²⁸ _____, "A Comparison of Teenagers' and Adults' Economic Knowledge and Attitudes," Business Roundtable (New York, 1977) (reprinted in General Motors Handbook, p. 40).

RECOMMENDATIONS FOR BUSINESS PARTICIPATION IN ECONOMIC EDUCATION

The uniquely American approach to problem-solving is to search for the individual who can solve the problem, or to develop a process or a machine that will effectively deal with the problem. This must be a primary consideration when attempting to delineate the role of business in improving economic education and commenting on how it can cooperate with and complement the efforts of educators in this curriculum area. Recommending a role that business ought to play in improving economic education is in itself part of the solution. The political and economic structure of today is so complex and undergoes such constant change that an integrated, collective approach to problem-solving and to improving economic education is an inherent prerequisite. Economic illiteracy poses a threat and a challenge to both businessman and educator alike. M. A. Wright implied this interdependency when he stated that "the nation's institutions are closely interrelated, and a major threat to any one of them must inevitably diminish the effectiveness of all the others." However, there are four distinct functions that business can fulfill in cooperating with and complementing efforts of educators to improve economic education. These four functions are (1) to analyze, describe and define the national and international economic scene for educators, (2) to provide basic economic and refresher courses for all employees at all levels of the corporate structure, (3) to share with educators the expertise of employees who could be guest lecturers, and (4) to produce media and

literature that promote the free enterprise system and reduce economic illiteracy.

Clarifying the Economic Scene

Business can analyze, describe, and define the national and international economic scene with greater accuracy than any other segment of the population. In order to compete and to profit, business requires accurate detailed information about the economy, its customers and its competitors. Therefore, business has the expertise, the resources, the organization, the technology and the economic capability to gather the information, process it and share it with educators. While this is a staggering task, nonetheless, it is one that is uniquely suited to American business. This task is a reflection of the demands made by a complex, interrelated society that is best dealt with by large-scale organizations.

The fulfillment of this function by business would not only improve economic education but would also reduce the hostility of the public toward business, particularly large corporations. Simplistically, this hostility has been attributed to business's failure to communicate the necessity for profit, promote economic education effectively, and anticipate and deal with changing social needs. Communication between business and educators would improve the image of business through these opportunities to "tell it as it is" by explaining thoroughly the free enterprise system. Furthermore, communication with educators and students would increase the sensitivity of

business enterprises to changing social needs and reduce the polarization of the business community and the public.

Providing Economic Courses

Providing basic economic and refresher courses through in-house seminars for all employees at all levels of the corporate structure would increase employees' awareness of the direct bearing a healthy business system has on their future economic security. Central to these seminars would be company publications on various topics in economics. Business employees throughout the country represent tens of millions of potential promoters of both the free enterprise system and the need for more effective economic education within the public education system. However, efforts of business to educate employees should be a sincere effort with intellectual integrity and not simply a public relations gimmick. Economist John Kenneth Galbraith observed that "when corporations, trade associations, generals, bureaucrats, trade unions, lawyers, physicians, professors put their own pecuniary or bureaucratic interest ahead of the public interest, people sense, react and oppose."²

The fulfillment of this function by business would not only improve economic education but would also fulfill civic responsibilities in terms of public service. Howard J. Morgens, Chairman of the Board, The Procter & Gamble Company, stated:

Before we are businessmen, advertising executives or anything else, we are citizens in a free society. As citizens we bear certain responsibilities, and one of them is certainly public service. We do not and must not mistake business for an end in itself. It is only a means³ to an end and the end is constantly improving society.

He also pointed out that the expanding social responsibilities of business should not obscure the fundamental way in which business advances the public interest.

Basic economic and refresher courses for employees at all levels of the corporate structure should focus on three problems. The first problem is a reminder that many social responsibilities and public service activities of business today are completely dependent on the vitality of the economic system which, in turn, is dependent on the profit motive for its energizing force. The second problem is that the strength of the economic system is gradually being eroded by the people who are critical of it and, yet, who do not understand it. The third problem is that the attacks on profits and the profit motive often go unanswered. In public talks businessmen often seem defensive and inarticulate about the profit motive in spite of there being adequate evidence demonstrating that there is no contradiction between serving the public and seeking a profit. In fact, the two reinforce each other in the free enterprise system.

Sharing Educational Resources.

Business could make a significant contribution to the improvement of economic education by sharing with educators the expertise of employees who could serve as guest lecturers. Perhaps even more comprehensive assistance could be rendered if business produced media and literature that promoted the free enterprise system and reduced economic illiteracy. One problem that has surfaced repeatedly is that although teachers are ready and willing to teach economics and the American free enterprise system, very few of them have the basic educational

background or business experience to do so. Employees at all levels of the corporate structure could share their economic expertise with great credibility.

American business has been admired throughout the world for its problem-solving ability. This is particularly true in the areas of communication, advertising and mass persuasion. Business excels in the area of communication and can effectively produce media and literature that would serve as significant instructional aids for educators.

Max Ways in Think, an I.B.M. house magazine, has said, "The neglected truth is that today's business system and the society in which it operates are intrinsically difficult to comprehend and becoming more difficult every decade."⁴ Assuming that he is correct, he may also be cogently suggesting why a great many direct, simplistic approaches to educating the American people to understand the free enterprise system are not working. Therefore, what can be concluded is that the time has arrived for all institutions in American society to engage cooperatively in the search for more creative approaches than those currently in use. In improving economic education and in cooperating with and complementing the efforts of educators, business can make a significant impact through its analysis of the national and international economic scene, educating employees and sharing the expertise of employees with educators.

Footnotes

1. Remarks by M.A.Wright, Chairman and Chief Executive, Exxon Company U.S.A. at the Chicago Rotary Club, Chicago, Illinois, December 9, 1975.
2. John Kenneth Galbraith, The Age of Uncertainty, Houghton Mifflin Company, Boston, 1977, p.337.
3. Remarks by Howard J. Morgens, Chairman of the Board, The Procter and Gamble Company, New York, December 18, 1973.
4. Max Ways, Think, IBM House Publication, Spring 1977

A STUDY OF ECONOMIC KNOWLEDGE LEVELS AND ATTITUDES

From February, 1979, through April, 1981, an economic knowledge and attitudes study was conducted by the author with the help of two other college teachers and six secondary school teachers. The study was designed to obtain data on the level of economic knowledge and attitudes toward the free enterprise system of three specific groups of subjects--220 high school seniors, 210 college seniors, and 205 adults under 35 years of age who had never attended a college or had not attended more than one year. The study involved a questionnaire administered to all subjects studied and a personal interview of at least one-fourth of all subjects in each group. The objective of the questionnaire was to obtain data on the participants' level of economic knowledge and their attitudes toward the American economic system--especially the free enterprise system. The interviews were conducted after the questionnaires had been administered and were used to discover any additional economic information or attitudes toward the free enterprise system which would add to the objectives of the study. It was also felt that the interviews would help bring to light any misunderstandings or false interpretations arising from the questionnaire.

The questionnaire was designed by the author, but some

questions were identical to some used in a similar survey in 1976 by Education Communications, Inc. Part of the items were similar to those on a test used by the Texas Education Agency in a statewide assessment test in Texas in 1978-79 to measure economic knowledge of eleventh graders. The test items center on specific topics--consumer education, the free enterprise system, and general economics education--in the broad field of economics. Fifty-two per cent of the college students and 53 per cent of the adults who had not attended a college or had attended no more than one academic year were from Texas; the others were from North Carolina. Seventy-two per cent of the high school seniors were from Texas; specifically, Dallas, Waco, Georgetown, Austin, and Fort Worth. The participants from North Carolina were from the Raleigh-Durham and Fayetteville areas.

Conclusions

Several major conclusions can be drawn from the study. However, it was very evident to this author that the forces of inflation, unemployment, a national election year, and international tensions--especially concerning the hostages held by Iran--definitely affected the results of this study. The effects of these forces were particularly strong as they were voiced by the subjects who were interviewed.

Nevertheless, the following overall conclusions are blatantly obvious from the data generated by the study:

1. Subjects in all three groups who had taken at least one course in economics held a much more favorable attitude toward the free enterprise system than those who had not.

These same individuals were also more inclined to be specific in their criticism of government regulations and the economy.

2. The high school seniors and the college students seemed to hold many of the same ideas toward the free enterprise system as did the adults with no college education or no more than one year. There were great variations, however, in the responses related to such areas as welfare, unemployment, and government programs. In general, students and adults who had not taken a course in economics were less critical of government actions than were the adults studied who had no college work or less than one year. This latter group will be referred to as adults henceforth in this article.

3. A third major conclusion was that all three groups of subjects demonstrated on the questionnaire and in the interviews that those who had taken a course in economics knew more about economics and the everyday workings of the economic system than did those who had not taken such a course. An exception to this conclusion was the six college seniors who had taken a course in economic history. These six demonstrated a level equal or superior to the high school seniors who had completed an economics course and to most-- 73 per cent--of the college students who had completed such a course.

4. Among the high school seniors, males scored higher than females in economic knowledge, just as other studies have found. However, among high school seniors and college seniors there were only insignificant differences when both sexes

had studied economics. On the other hand, females who had not taken economics showed less economic knowledge as college seniors and adults than did males who also had failed to include an economics course in their education.

5. The high school seniors and the adults were much more critical of business and the economy than were college seniors. Here again, however, there were many individual exceptions; and it was very evident that inflation and unemployment were major influencing factors. Previous studies along these lines have shown adults to be less critical of business than students.

6. All three groups overwhelmingly favored the free enterprise system as opposed to a socialistic system or even a more governmentally supervised free enterprise system than this country has at present. This is at variance with some of the research conducted with college students at times in the past. This study found that all three groups favored less government control of business than was presently being exercised by the federal government. The author feels that this conclusion was influenced to a very great extent by the gas shortage of 1979 and the high inflation rates coupled with high interest rates. These elements were often discussed almost in anger by many of the persons interviewed. However, all three groups in North Carolina showed much concern for the federal government to regulate big oil companies; whereas, the Texas groups were just about the opposite in their opinions. This is not to infer that all of the North Carolinians favored government control of oil companies for they did not.

On this topic, another very interesting point manifested itself in the interviews. Most of the North Carolinians favored government price supports for tobacco growers. On the other hand, not one Texas high school senior or Texas college senior favored such action by the federal government. In the Texas adult group interviewed only two persons were favorable to such price supports. To this author, who was born in North Carolina and lived there the first 30 years of his life and who has lived in Texas for the last 22 years, this was a very interesting aspect of regional economic differences.

7. High school seniors and the adult subjects performed least well in the area of consumer education. Subjects in all three groups who had completed a course in business law, however, scored higher in the area of consumer education than most of their counterparts did.

Recommendations

Data generated by this study indicate the recommendations listed below are in order.

1. All students should be urged to take one or more courses in economics.

2. More students should get on-the-job experience in the business world.

3. High schools and colleges should pay more attention to teaching the following topics: scarcity of resources, population demands, limits to growth, and consumption patterns

and their environmental effects.

4. Economics and the free enterprise system should receive high priority in schools.